ALTS
Association for Local Telecommunications Services

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20054

Re: Second NPRM in 94-1, and Customers First
Waiver Request, DA 93-481 and DA 95-854

Dear Mr. Caton:

On Thursday, November 30, 1995, Heather B. Gold, President of ALTS, and myself met with Ms. Regina Keeney, Chief of the Common Carrier Bureau, and members of her staff, to discuss Ameritech's "Customers First" waiver request, and the need to link several current and potential proceedings. The attached materials were used in the discussion, and also distributed as shown.

Yours truly,

Richard J. Metzger

cc: R. Keeney

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ALTS
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RICHARD J. METZGER
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November 30, 1995

Ms. Regina M. Keeney
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M St., N.W., Room 500
Washington, D.C. 20054

Re: Ameritech's Request for Waivers of Part 69 Based on Its "Customers First" Plan

Dear Ms. Keeney:

On behalf of the Association for Local Telecommunications Services ("ALTS"), I respectfully request that the Bureau reassess its analysis of Ameritech's request for waivers of Part 69 based upon Ameritech's "Customers First" plan (the original waiver request was filed March 1, 1993, and put out for comment in DA 93-481; it was amended by Ameritech on April 12, 1995, and put out for comment again in DA 95-854). Our understanding is that the amended Ameritech plan has recently been substantially altered by the Bureau, and that the Bureau is now recommending that the same waivers be granted for Ameritech's Chicago and Grand Rapids LATAs as were granted earlier this year for NYNEX's New York City LATA (USPP Order, FCC 95-185, released May 4, 1995).

ALTS believes the USPP Order which the Bureau contemplates applying to Ameritech's request clearly failed to comply with applicable legal standards (see Opposition of ALTS filed January 31, 1994, Comments in Opposition filed May 16, 1995, and ALTS' Comments in Support of TCG and AT&T's Petitions for Reconsideration filed July 31, 1995). However, assuming solely for the sake of argument that the USPP Order were correctly decided, there are at least two compelling reasons why the USPP Order is fundamentally inconsistent with the issuance of waivers for either the Chicago or Grand Rapids LATAs. First, the pro-competitive stance of the New York Public Service Commission, which the USPP Order expressly relies upon, is not yet paralleled in any part of Illinois or Michigan. Second, the level of competition for both special and switched access is significantly less in the Chicago and Grand Rapids LATAs than the Commission perceived it to be in the New York City LATA.

Illinois and Michigan's Regulatory Environments Are Not Yet Comparable to New York's

The pro-competitive accomplishments of the New York Public Service Commission are one of the central foundations of the USPP Order. See, e.g., USPP Order at ¶ 39:

> "State and federal regulatory decisions, as well as actions taken by NYNEX, have made it more possible for competition to develop in access and exchange telephone markets in LATA 132 than has generally been possible in other parts of NYNEX's service area, or other parts of the country. For instance, basic service competitors are able to interconnect, and have been actively interconnecting, their own transmission facilities at NYNEX's central offices in New York, in accordance with decisions of the NYPSC and this Commission." (Emphasis supplied.)[1]

While Illinois and Michigan deserve full credit for the pro-competitive progress each has made in terms of legislation and regulation, it would be premature at best for the Commission to conclude that either jurisdiction has yet matched the pro-competitive regulatory environment created by the New York PSC. As the USPP Order correctly noted, the New York PSC's achievements rest on its "Comparably Efficient Interconnection" standard, which has effectively required NYNEX to provide physical collocation, enter into meaningful interconnection agreements, offer unbundled loops, and provide interim local number portability (id. at ¶ 39, n. 88). The best demonstration that neither Illinois nor Michigan has yet achieved the same status is Ameritech's successful withdrawal of its expanded interconnection physical collocation tariffs -- which were part and parcel of its original "Customers First" plan -- as soon as this Commission's physical collocation order was overturned in June of 1994.[2] NYNEX, on the

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[1] See also id. at ¶ 2 ("... we recognize that, among other factors, regulatory changes by this Commission and the New York Public Service Commission (NYPSC) ... create an environment that is open to competitive entry in exchange and access services in the New York City metropolitan area ..."); at ¶ 25 ("... the state commission and NYNEX have taken a number of steps, not to date taken in other parts of the country, that remove significant barriers to the growth of competition in the access and exchange markets;" emphasis supplied); ¶ 38; and ¶ 41 ("The regulatory and structural change occurring in LATA 132 have not occurred to date in the other states in the NYNEX region at a level comparable to those affecting LATA 132;" emphasis supplied).

[2] Compare Ameritech's description of its "Advanced Universal Access Plan," in which it proposed to offer: "Physical collocation using switched access-type connection between the AEC [alternative exchange carrier]-provided facility and Ameritech's trunk circuit;" (Final Report of

(continued...)

other hand, decided to continue offering physical collocation in large part because of its oversight by the NYPSC. In addition to this fundamental difference, the current status of Illinois and Michigan regulation also fall far short of the New York standard. For example, Illinois law permits after the fact investigations of Ameritech's interconnection tariff filings, but such tariffs remain in effect until modified by the Illinois Commerce Commission (220 ILCS 5/9-§201 (1995)). This is one reason why the terms and conditions of interconnection available in Illinois remain entirely inadequate compared to New York.

The point here, of course, is not to complain about the Illinois and Michigan regulatory situations, especially given the immense improvements made by legislators and regulators in each state, but rather to underscore the distance that still remains before either jurisdiction can claim to have equaled New York's robust pro-competitive regulatory environment which played so key a role in the issuance of the USPP Order waivers.

The Chicago and Grand Rapids LATAs Are Completely Dissimilar from the New York City LATA in the Density, Distribution, and Nature of Access Competition.

Again, assuming solely for the sake of the present discussion that the USPP Order were correctly decided, the issuance of waivers to NYNEX in that order was unquestionably linked to the unique competitive situation perceived by the Commission in the New York City LATA.[3]

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[2](...continued)
ARRC Staff Concerning Ameritech Petition dated April 1, 1994, at 18), with the July 7, 1994, ex parte of Ameritech following the D.C. Circuit's remand stating that Ameritech "will honor its existing tariffs until they have been modified or withdrawn, but as a policy matter will not offer physical collocation."

[3] While ALTS maintains that the Commission's analysis of competition in the New York City LATA was entirely unfounded, there is no question the USPP Order rests on the Commission's conclusion, incorrect though it may be, that the New York City LATA presents "unique" circumstances. See, e.g., " ... given the removal of significant barriers to entry in New York and the particularly high concentration of high-volume toll users in the New York City area ... "(id. at ¶ 25); "Because of the concentration of high-volume toll users and the reduced barriers to entry in LATA 132" (id. at ¶ 27); " ... under the more competitive conditions of the New York City metropolitan area ... (id. at ¶ 28); "In the face of the special competitive circumstances that exist in LATA 132 ... ' (id. at ¶ 29); " ... in light of the special circumstances in LATA 132 ... " (id.); "The unusually large concentration of high-volume users in LATA 132 increases the likelihood of significant additional competitive entry" (id. at ¶ 38); " ... the high volume of traffic
(continued...)

Indeed, the "special circumstances" of LATA 132 are also emphasized in the separate supporting statements of Commissioners Barrett ("... given the substantial presence of competing access providers (CAPS) in the New York metropolitan area ..."), Commissioner Ness ("... upon a compelling showing of special circumstances, based on our assessment of the present market conditions and future prognosis for competition in LATA 132 ... "), and Commissioner Chong ("The record in this case demonstrates that the competitive environment in the New York City metropolitan area has advanced to the stage that it is appropriate to grant NYNEX some pricing flexibility through a limited waiver of our access charge rules. Given the uncommon nature of competitive development and the large concentration of high-volume business customers in this particular area ...").

At the risk of belaboring the obvious, the "unique" market conditions which the USPP Order relies on so heavily to support the issuance of waivers for the New York City LATA simply do not exist in either the Chicago or Grand Rapids LATAs:

- According to the USPP Order, the New York City LATA is "roughly congruent with the two MSAs (metropolitan statistical areas) the Census Bureau uses to analyze the New

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[3](...continued)
in certain New York City business districts, such as those in lower Manhattan, enables competitors to carry a substantial amount of telecommunications traffic using relatively few facilities, and present special opportunities for the development of competition" (id. at ¶ 40); " ... the grant of this waiver to address the special regulatory and economic circumstances in LATA 132 provides particular public interest benefits due to the especially high concentration of high-volume toll customers in LATA 132"' (id. at ¶ 43); " ... there is a significant competitive presence in LATA 132" (id.); " ... numerous high-volume toll users coupled with the availability of competing services" (id. at ¶ 44); "For these reasons, given the concentration of high-volume toll users in LATA 132, continued application of certain of our access charge rules is not in the public interest in LATA 132 in the face of growing competition" (id.); "We conclude that, given the special circumstances that exist in LATA 132 in New York State, the public interest will be served by permitting NYNEX to deaverage the transport interconnection charge by geographic zone" (id. at ¶ 54); "Given the high density that particularly characterizes LATA 132 ... " (id. at ¶ 57); "Given the special circumstances in LATA 132 ... " (id. at ¶ 72); "The ill effects of such inefficient pricing, such as encouraging inefficient entry, will be greater in areas, such as LATA 132, that have an especially high concentration of high-volume users and are open to new entrants and growing competition" (id. at ¶ 73); " ... especially in an area with a high concentration of high-volume users, such as LATA 132 ..." (id. at ¶ 74); "Given the density of traffic in LATA 132, costs are likely to be lower there than elsewhere in NYNEX's region" (id. at 77)(emphasis supplied in all cases).

York City metropolitan area. Moreover, LATA 132 is a widely recognized geographic market unit for the telecommunications industry" (USPP Order at ¶ 45). The Grand Rapids LATA, on the other hand, is many times larger than its largest MSA, and, while justly famous for its tulip bulbs and cherries, is clearly not a "widely recognized geographic market unit for the telecommunications industry." As for the Chicago LATA, the physical differences between it and New York City may be less dramatic than in Grand Rapids' case, but there are compelling market differences all the same (see AT&T's comprehensive discussion of the smaller and less pervasive level of access competition in Chicago, particularly the fact the USPP Order found that MFS alone serves 283 buildings in just the New York LATA (id. at ¶ 34, while MFS and TCG combined serve only 285 buildings in all of Illinois; AT&T Comments in DA 95-854 filed May 16, 1995, at 15-19).

• While the Grand Rapids LATA is almost six times larger geographically than the New York City LATA (approximately 15,000 square miles compared to LATA 132's 2,574 square miles)[4], its population is considerably smaller. The Commission's BTA for New York City shows a population of 18,000,000, which is many times the 900,000 population shown for Grand Rapids (Supplemental Bidder Package for Block C Basic Trading Area Licenses; pp. 7-8).

• The differences in total populations and traffic densities for these two LATAs are vividly underscored by the disparity in their density of high-capacity traffic, and respective access revenues as a percentage of company total access revenues. The New York City LATA has more than 30 times the DS1s and seven times the DS3s of the Grand Rapids LATA, according to one estimate. This means the average traffic density of DS1s in the New York City LATA is **185 times greater** than in the Grand Rapids LATA.[5] Furthermore, the New York City LATA produces about 50 percent of NYNEX's recurring and usage-based charges for special access and switched access revenue in New York state, and about 80 of percent NYNEX's total local state business revenue (USPP Order at ¶ 33). For understandable reasons, Ameritech has declined to provide equivalent numbers for the Grand Rapids LATA, but Ameritech states that only "5.6%" of its overall access lines subject to competition are located in the Grand Rapids

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[4] See the MFJ court's discussion of the remarkably large geographic size of the Grand Rapids LATA, which the Court ultimately approved based on the small size of its population (United States v. Western Electric, 569 F.Supp. 990, 1042-42 (D.D.C. 1983)).

[5] 19,000 DS1s/2,574 sq miles ÷ 600 DS1s/15,000 sq miles = 185. The relative density of DS3s is 41 (700 DS3s/2,574 sq miles ÷ 100 DS3s/15,000 sq miles).

LATA (see Ameritech ex parte filed July 18, 1995, at unnumbered page 7). Obviously, the portion of Ameritech's total access revenues generated from the Grand Rapids LATA is Lilliputian compared to the share of NYNEX's access and business revenues produced in the New York City LATA.

- This huge difference in access traffic densities between the New York City and the Grand Rapids LATAs is also accompanied by obvious differences in the extent and nature of competitive facilities in each. In the USPP Order the Commission emphasized the number and facilities of several competitors in the New York City LATA: " ... Teleport's approximately 325-mile long network in New York includes two switches in New York City; provides services for the equivalent of 377,000 voice-grade circuits; MFS's network, with a switch in Jersey, and two remote switches in New York City, reaches 283 buildings in Manhattan ... These competitive access providers have 70,000 telephone numbers assigned to their use ... " (id. at ¶ 34). The Grand Rapids LATA, on the other hand, has but a single competitor currently in service, US Signal, which has a network smaller than either TCG or MFS' network in New York. In addition, the extent of competitive coverage in the New York City LATA is much wider than in the Grand Rapids LATA, where US Signal's network, in stark contrast, approximates only metropolitan Grand Rapids, a small portion of the overall LATA.

- The fact US Signal serves only a small geographic portion of the Grand Rapids LATA also raises serious issues of unreasonable discrimination if the Commission were to grant waivers. The USPP Order concluded that no issue of unreasonable discrimination existed in the New York City LATA because "[g]iven the density of traffic in LATA 132, costs are likely to be lower there than else where in NYNEX's region" (id. at ¶ 77). Obviously, there is no way the Commission can reach the same conclusion about the Grand Rapids LATA which, as noted above, has a DS1 traffic density 185 times lower than the New York City LATA.

Rather than admit the obvious competitive disparity between New York City and Grand Rapids, Ameritech has chosen to focus instead on the relative percentage of its high-capacity losses in Grand Rapids: "Ameritech's overall HICAP share in Grand Rapids decreased from approximately 58.9% in the second quarter of 1994, to approximately 56.3% as of the first quarter of 1995" (April 14, 1995, study by Quality Strategies at p. 4, submitted with Ameritech's July 18, 1995, ex parte). But the Quality Strategies study claims to measure market share by "metropolitan area," not by LATA (id. at 12). Thus, even if Ameritech's market share numbers could be meaningful in light of so small an underlying base, this data bears no relationship to the scope of the Bureau's proposed waiver, which would extend to the entire Grand Rapids LATA, an area approximately several times larger than metropolitan Grand Rapids. Thus, there is simply no factual evidence whatsoever to support issuance of waivers on a LATAwide basis.

Beyond the geographic irrelevance of Ameritech's data, there is the more fundamental point that even if competition in high capacity services were to exist in the Grand Rapids LATA (which ALTS strongly disputes for the reasons discussed above), that fact would have no bearing on the entirely separate question of whether switched competition also exists. Unlike the high capacity market, where competitive entry can be achieved in at least some areas without encountering undue entry barriers, meaningful switched access competition entails a host of issues that have to be resolved with the incumbent provider: full number portability, mutual traffic exchange and reciprocal compensation, E911, unbundled loops, appropriate resale provisions, critical pricing issues, etc. Thus, the issue of switched access competition is entirely distinct from high capacity competition, and must be addressed on its own merits. Ameritech has submitted no evidence whatsoever as to competition in the Grand Rapids LATA for switched access services.[6]

The Novel Aspects of the Bureau's Proposal Deserve -- and Require -- Public Comment

The absence of any facts on a LATA-wide basis for Grand Rapids also underscores the important procedural fact that no party has had an opportunity to meaningfully comment on the Bureau's proposal. If the Bureau's proposal were placed out for comment, and Ameritech were actually forced to provide figures that are relevant to the geographic area actually at issue, it would be much more evident to the Bureau that Ameritech's current "mix and match" contentions are unmeritorious.

Granted, the Bureau could never act on waiver requests if it were forced to place every minor modification out for comment. But the changes being proposed here by the Bureau are major aspects of what may prove to be the most important access waiver decision since the "equal unit of traffic" waiver. These proposals fully merit, and require, a public record:

- We understand that the Bureau is proposing an option that would allow Ameritech to experiment with increases in its EUCL charges to recover NTS costs. The creation of the current EUCL structure was among the most politically contentious actions ever taken by the Commission, involving a close vote of the Joint Board in CC Docket No. 80-286, and coordination with both Congress and the states. Any attempt to revise that structure through a waiver mechanism which has never benefited from public comment would be at best politically imprudent and highly disruptive; could easily create the misimpression

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[6] The Quality Strategies study included in Ameritech's ex parte of July 18, 1995, sheds no light at all on switched access competition because it addresses only switched access minutes of use that are carried on high capacity circuits, and because this study addresses just metropolitan Grand Rapids, which is only a small part of the Grand Rapids LATA.

that competitors are somehow responsible for increased end user rates; and would fail to comply with basic procedural fairness.

- The Bureau's proposed approaches to the Residual Interconnection Charge ("RIC") and the billing of the Carrier Common Line ("CCL") charge are each critically important, but it is not clear how the Bureau intends to handle these important matters, nor whether the Bureau is fully aware that US Signal currently bills its customers the RIC and CCL pursuant to its tariff. Furthermore, the Michigan Public Service Commission's order in Docket U-10647 ordering Ameritech to offer unbundled loops specifically found that changes in the Federal EUCL should be offset in the intrastate rates to preclude double recovery of costs (p. 57). It would be fundamentally inconsistent for the Bureau to recommend a waiver based on its belief that competition exists in the Grand Rapids LATA, and then proceed to impose anti-competitive revenue demands on new entrants in order to preserve the incumbent's monopoly earnings. The asserted existence of competition -- which, after all, is Ameritech's ostensible justification for the issuance of waivers here -- is completely and utterly inconsistent with the recovery of "revenue needs." There is no such thing as a "competitive" market in which the largest provider has its inefficiencies concealed and rewarded, and its profits guaranteed by aspiring competitors. This complex and compelling issue needs public comment.

- The Bureau has just opened a docket proposing the collection of data concerning competition and the surrounding regulatory environment (Local Competition Data Collection, CC No. 95-66, released November 3, 1995). Placing the Bureau's proposal out for comment would allow the parties to offer evidence directed to the Bureau's proposed data guidelines.

The Bureau's Proposed Action Is Completely Inconsistent with the Analysis of the United States Department of Justice

Beyond its conflict with the USPP Order, the Bureau's proposed handling of Ameritech's "Customers First" waiver request is profoundly inconsistent with the Department of Justice's analysis of this request. The Department of Justice concluded that the level of competition in the Chicago and Grand Rapids LATAs was "embryonic" at best, and concluded that Ameritech should first remove a "checklist" of barriers to competition before receiving the freedom sought under its "Customers First" plan (Brief of DOJ filed May 1, 1995, at p. 31). The fact that Ameritech sought interLATA authority from DOJ, and seeks Part 69 waivers here, in no way alters the stark reality that the Department, perhaps the preeminent government agency in assessing market competitiveness, has firmly concluded that the Chicago and Grand Rapids LATAs are not yet competitive, and will not be competitive even for the limited purpose of an "experiment" until Ameritech completes removal of the competitive barriers listed in the

"checklist."

The Bureau's apparent willingness to "delink" the waiver request from Ameritech's obligations to remove the anti-competitive barriers within its control and Ameritech's requirement that it be able to demonstrate at least some facilities-based actual competition is totally unfathomable and plainly requires public comment. The Bureau's failure to follow DOJ's approach also makes little sense on an institutional level, since DOJ was able to obtain Ameritech's agreement on the prior removal of competitive barriers. Given the persuasiveness of DOJ's conclusion that competition does not yet exist in the Chicago and Grand Rapids LATAs, and Ameritech's willingness to accept the checklist obligation, there is no logic whatever -- particularly given the Bureau's longstanding position in favor of competition -- for the Bureau's reluctance to impose the same kind of requirements in connection with waivers of Part 69.

Ameritech Has Failed to Show Any Need for a Waiver

In addition to the lack of any competitive parallels between the Grand Rapids and Chicago LATAs, and the New York City LATA, Ameritech has failed to show any need for waiver action. ALTS agrees entirely that the access system will need substantial reform once competitive barriers have been effectively removed (as demonstrated by ALTS' support for DOJ's motion to allow Ameritech into long distance service). But the need for access reform via rulemaking is quite distinct from the issue of whether waiver relief is appropriate.

Absolutely nothing in the present record shows any need for waiver relief. Customers are clearly benefiting from competitive entry in Grand Rapids and Chicago. Furthermore, even if Ameritech's wildest allegations of competitive inroads into its market share were to come true, Ameritech will not be boarding up its wire centers and going out of the high-capacity services business. Its facilities will remain in place, an integral part of the high-capacity market. Indeed, rather than having to worry about bankruptcy from unfair competition, Ameritech enjoys an access charge structure that guarantees its revenues cannot fall below a certain level, no matter what happens in the Grand Rapids or Chicago LATAs.

Thus, there is no risk of injury to customers here, nor to the basic underlying market structure. Ameritech simply does not want to have its market share to drop any further. That concern is perfectly understandable for Ameritech's management, and certainly something that Ameritech's shareholders expect its management to be worried about. But the needs of Ameritech's management are an entirely inadequate basis for issuance of a waiver by the

Commission.[7]

If the Commission Does Decide to Grant Ameritech Waivers, They Should Be Linked to Specific Pre-Conditions.

In the event the Bureau does conclude it should recommend the issuance of USPP Order waivers for the Grand Rapids and Chicago LATAs despite their clear lack of merit, ALTS respectfully requests that concrete preconditions be imposed which would require Ameritech to complete the pro-competitive "checklist" it agreed to undertake in seeking permission to provide long distance service from the Department of Justice.

It makes no institutional sense to hand Ameritech a regulatory victory based on its asserted commitment to competition without also making that pro-competitive commitment a binding reality. Ameritech displayed its real attitude towards competition when, unlike NYNEX, it quickly abandoned its promise to offer physical collocation pursuant to its "Customers First" plan as soon as the D.C. Circuit held that the Commission lacks the power to require this form of expanded interconnection. And in its Direct Case in Docket No. 94-97, Ameritech has flatly refused to comply with the Phase II Designation Order's requirement that the direct cost of functions provided to favored end users that are similar to functions provided in virtual collocation be individually identified and quantified. Despite the fact such disaggregation is a commonplace rate analysis activity at both the state and Federal level, Ameritech effectively brushed it off, asserting that price cap rates simply cannot be analyzed this way (see Ameritech's Phase II Direct Case submitted October 23, 1995, at pp. 1-2; see also the attached chart detailing the LEC industry's long-standing inability to publish lawful virtual collocation tariffs).

The issuance of waivers of Part 69 to Ameritech while it treats its evidentiary obligations in a critical pro-competitive proceeding with such total nonchalance would send

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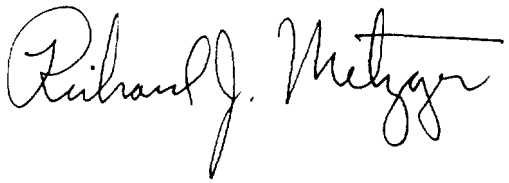
[7] The USPP Order appears to include deterrence of "inefficient entry" as a additional rationale for a waiver (id. at ¶ 44). If so, such a concern would be quite misplaced. Nowhere does Federal law charge the Commission with protecting venture capitalists from imprudent investment -- the Communications Act of 1934 does not mandate Pareto optimality as the Commission's ultimate goal. Even more to the point, however, is the USPP Order's assumption the Commission could somehow deceive the competitive industry as to the likely future levels of access charges. The industry is well aware of the Commission's goal to move access charges to costs, and it makes its investments with full knowledge of that fact. Thus, there is no inducement for inefficient investment (see the award of the Nobel prize in Economics this year to Robert Lucas for his work demonstrating that rational decision makers cannot be "fooled" about the economic consequences of governmental decisions).

absolutely the wrong message to entrenched monopoly providers: "Don't worry about really complying with competitive requirements, lip service works just fine!" Instead, the Bureau should take the common sense step of providing that the proposed waivers only become effective at such time as Ameritech's virtual collocation tariffs are no longer subject to investigation, and Ameritech also complies with the "checklist" it accepted as part of DOJ's proposed long distance trial. If Ameritech really does care about advancing competition -- and it loudly proclaims that commitment as a basis for the waivers -- it is not unreasonable to insist that Ameritech back up its rhetoric with action.

We look forward to discussing this matter with you soon.

Respectfully,



cc: L Belvin
J. Casserley
J. Nakahata
D. Sieradski
T. Silbergilt
R. Welch
G. Lytle - Ameritech

THE BUREAU SHOULD RECOGNIZE THE NEED FOR LINKAGES AMONG ITS DOCKETS INVOLVING COMPETITION

CompLECS NEED:

Just and Reasonable Virtual Collocation Rates (91-141)

Number Portability (95-116)

USF Reform (80-236)

Unbundled Loops (RM 8614)

Neutral Number Administration (92-237)

Virtual Collocation NRC Relief (91-141)

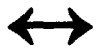
Tandem Interconnection (94-97, Phase II)

Enforcement of Resale and Sharing Doctrine

Enforcement of ICB Standards

Enforcement of Cost Support Rules

NO LINKAGES?!



MONOPOLY LECS WANT:

Earnings Freedom (Second NPRM, 94-1)

Pricing Freedom (Second NPRM, 94-1)

Access Charge Reform (coming soon)

Rifleshot Part 69 waivers (USPP Order and "Customers First")

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- **Congress thinks linkage in the form of a checklist is a good idea.**

- **The Department of Justice has adopted a checklist approach.**

- **Ameritech itself has accepted a checklist approach at the MFJ Court.**

- **The plain fact is that the monopoly LECs will not deliver on what the CompLECs need unless these items are also linked to what the monopoly LECS want!**

- **A checklist approach which quantitatively measures the pro-competitive environment within a monopoly LEC's serving territory, and then takes interstate action after factoring in that measurement, is clearly within the Commission's power. The Commission is not ordering any state action, it is simply stating the conditions under which certain matters that are clearly within its power are to occur.**

What needs to be done?

- **Create a basic "roadmap," possibly by a third NPRM in 94-1, indicating that monopoly LECs will need to achieve certain "stages" in meeting a pro-competitive checklist before they are entitled to receive specific earnings, pricing, or access structure reform. The Commission need only sketch out the basic number of stages -- perhaps three makes sense -- and indicate which kinds of monopoly LEC "rewards" will be associated with each. Particular definitions and specific linkages can then be treated in the appropriate individual dockets.**

- **Fastrack the "Local Competition and Data Collection" NPRM in order to start collecting the information needed to construct a robust "yardstick" by which to measure local competition.**

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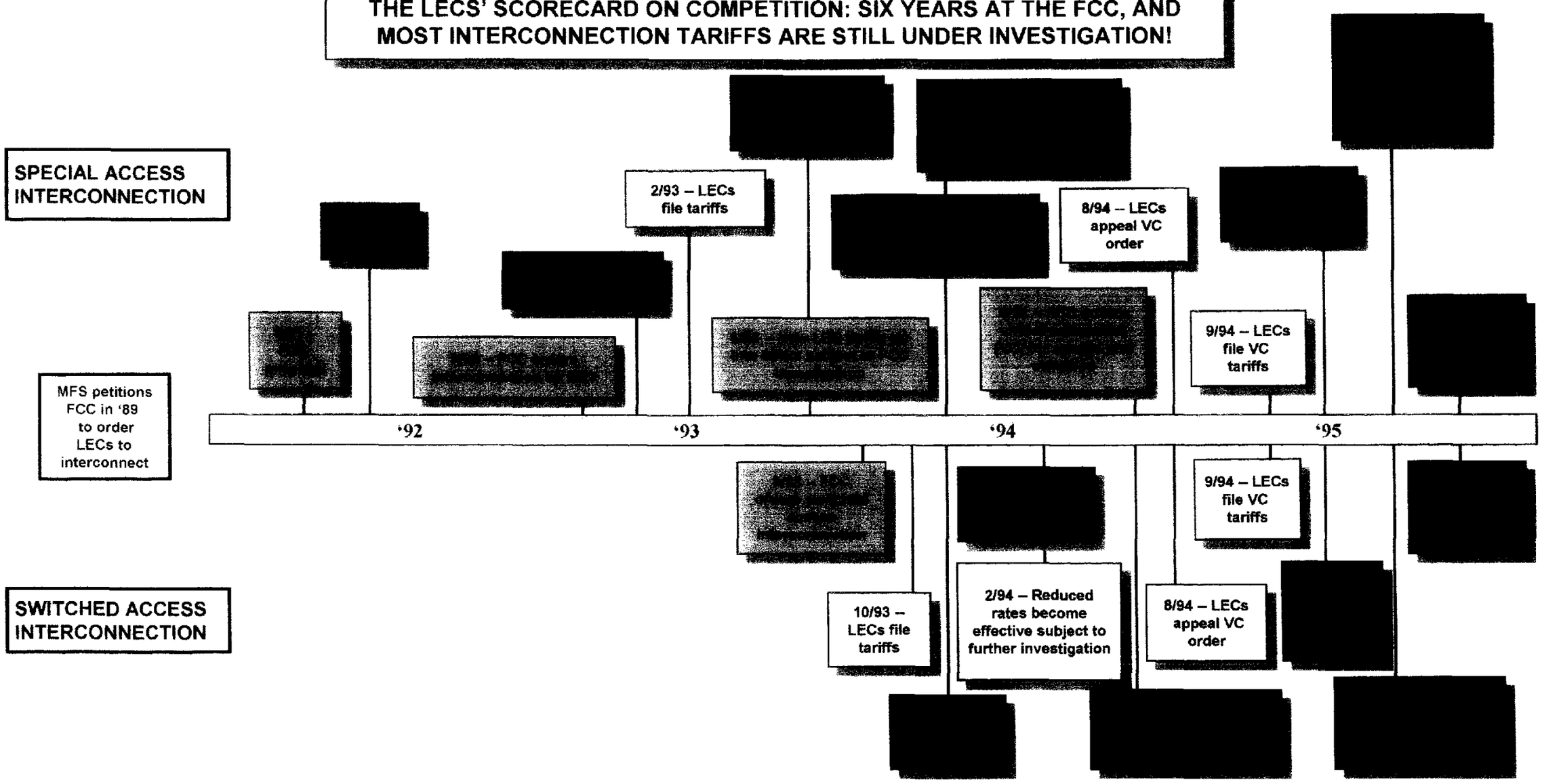
THE LECS' SCORECARD ON COMPETITION: SIX YEARS AT THE FCC, AND MOST INTERCONNECTION TARIFFS ARE STILL UNDER INVESTIGATION!



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